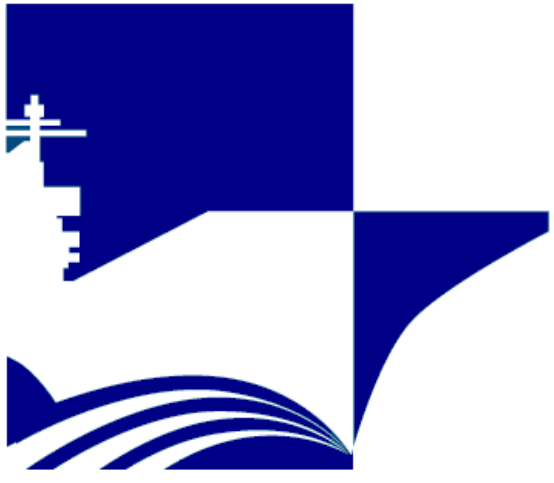
RBA

REVOLUTION IN BUSINESS AFFAIRS



PRESENTATION TO:
DON RIC
12 April 2001

NAVAL AIR SYSTEMS COMMAND

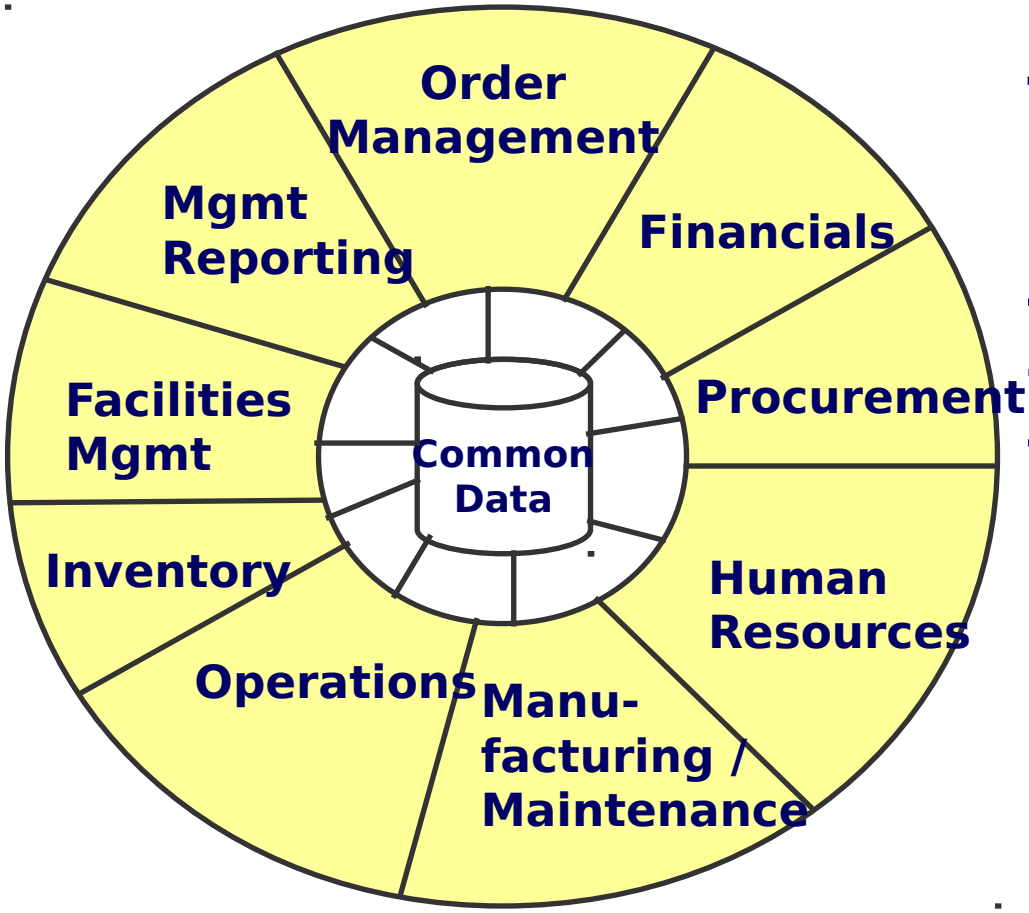
REVOLUTION IN BUSINESS AFFAIRS VISION

"DON will use the best business practices (commercial or public) and supporting architectures (ERP approach)

to make informed decisions (right info to the right people at the right time)."

WHAT IS ERP ?

Revolutionary change in business processes for dramatic improvements



The integration of business processes that optimize functions across the enterprise (e.g., supply chain, finance, manufacturing / maintenance, HR etc.)

RP solutions provide consistent, complete, relevant timely & reliable information for decision making

WHO HAS DONE ERP?

America's Most Successful Companies:

- 7 of 10 of Most Profitable
- 9 of 10 with Highest Market Value
- 7 of top 10 Pharmaceutical Companie
- 7 of Top 10 Computer Companies
- 7 of Top 10 Petroleum Companies
- 6 of Top 10 Electronic Companies
- 8 of Top 10 Chemical Companies
- 8 of Top 10 Food Companies

ERP OBJECTIVES

- Federal financial standards compliance
- COTS solutions
- Best business practices
- Single data entry at source
- End-to-end process connectivity
- Data commonality
- Internal management orientation

ERP

- **Revolution in Business Affairs (RBA) WG recommended ERP as a way to reduce operations and business cost using best business practices / processes for the Navy**

> *"Give priority to investments that will cut our operating or business costs,*
> *such as Enterprise Resource Planning (ERP) and the*
> *Navy-Marine Corps Intranet (NMCI)*
>
> *Secretary of the Navy*
> *Richard Danzig*
> *10 August 1999*

- **ERP enables**
  - Integrated Naval Aviation value chain - reduced inventory levels and AVDLR costs
  - Automate and integration business processes
  - Share common data and process across entire organization - reduces legacy systems and costs
  - Provide consistent information for improved decision-making and performance metric - reduced non-value work
  - Provide total cost visibility across Department

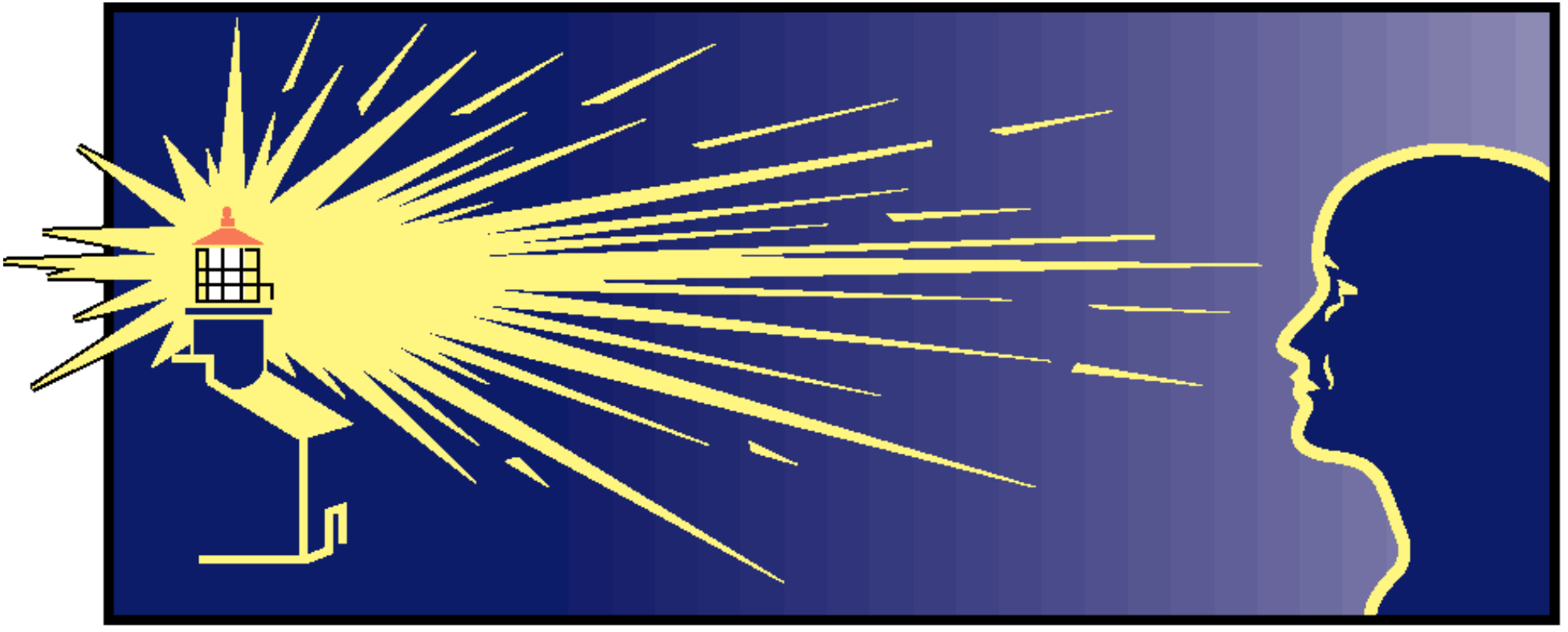
ERP PROGRAMS

NAVY ERP PILOTS

Pilot Core	Sponsor	Explore ERP Business Processes to Improve:	S/W
Program Management (SIGMA)	NAVAIR SAP	Program Management Process to include linkage between contracting and financial systems	
Warfare Center Management NWCF Financial Management (CABRILLO)		SPAWAR SAP Process	
Aviation Supply Chain / Maintenance Management (SMART)	NAVSUP / NAVAIR	Maintenance Planning and Material Ordering Processes (O, I, D level and NAVICP)	SAP
Regional Maintenance (NEMAIS)	NAVSEA / CLF	Regional Maintenance	SAP

- Each pilot is 12 - 18 months
- NAVAIR and NAVSUP / NAVAIR Pilots use E-2 data as “proof of concept”

SPAWAR NAWC NSWC NADEP NAVAUD DFAS



PROJECT CABRILLO

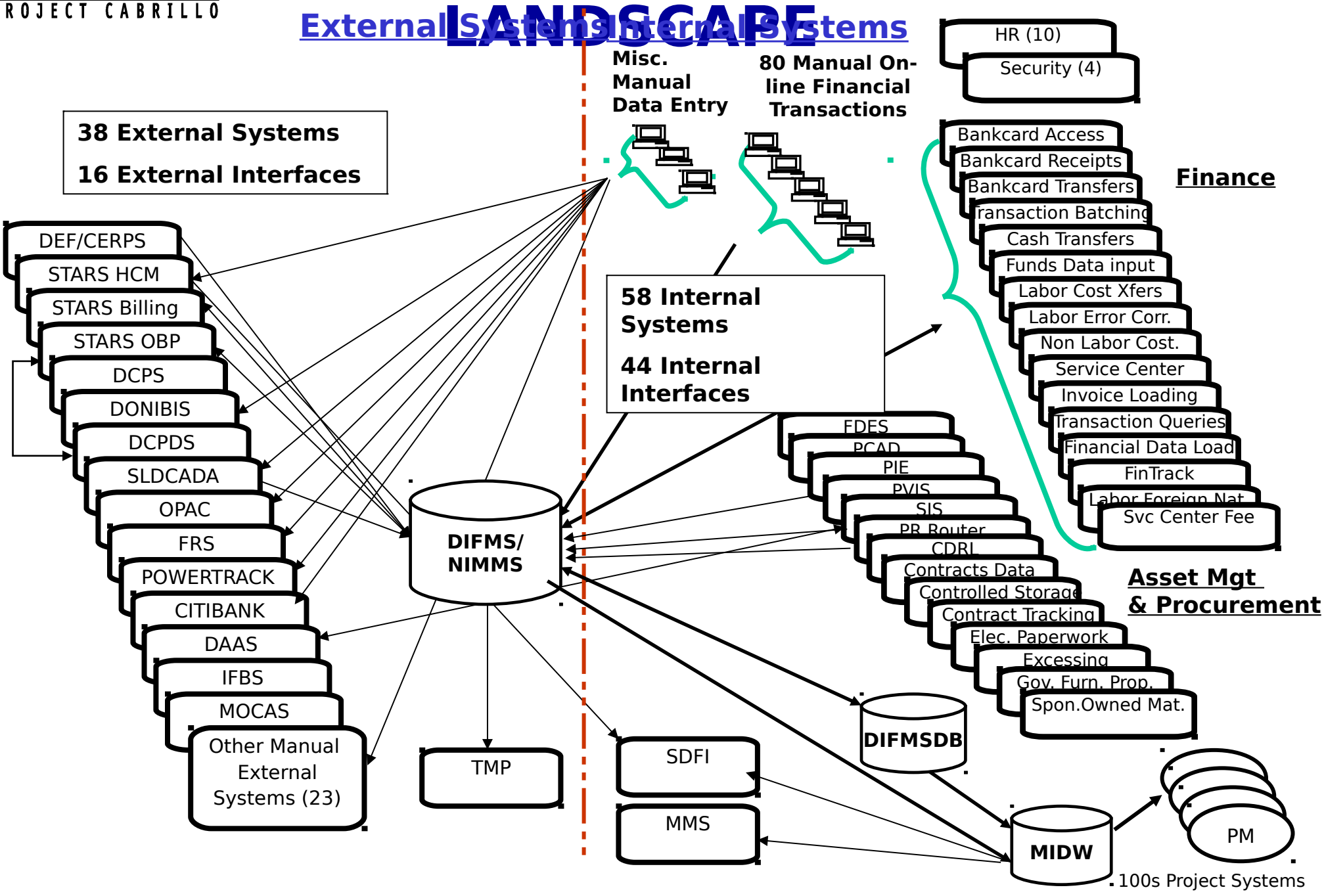
PROJECT CABRILLO

ERP TOP LEVEL OBJECTIVES

- **Eliminate existing internal business systems and interfaces to the maximum extent possible (esp: financial feeders)**
- **Single source data entry while eliminating data redundancy and improving data integration**
- **CFO Compliance (auditable information to the transaction level; JFMIP / USSGL)**
- **Provide Navy Management an order of magnitude improvement in business information with an associated significant reduction of infrastructure costs**

PROJECT CABRILLO

"AS IS" LANDSCAPE

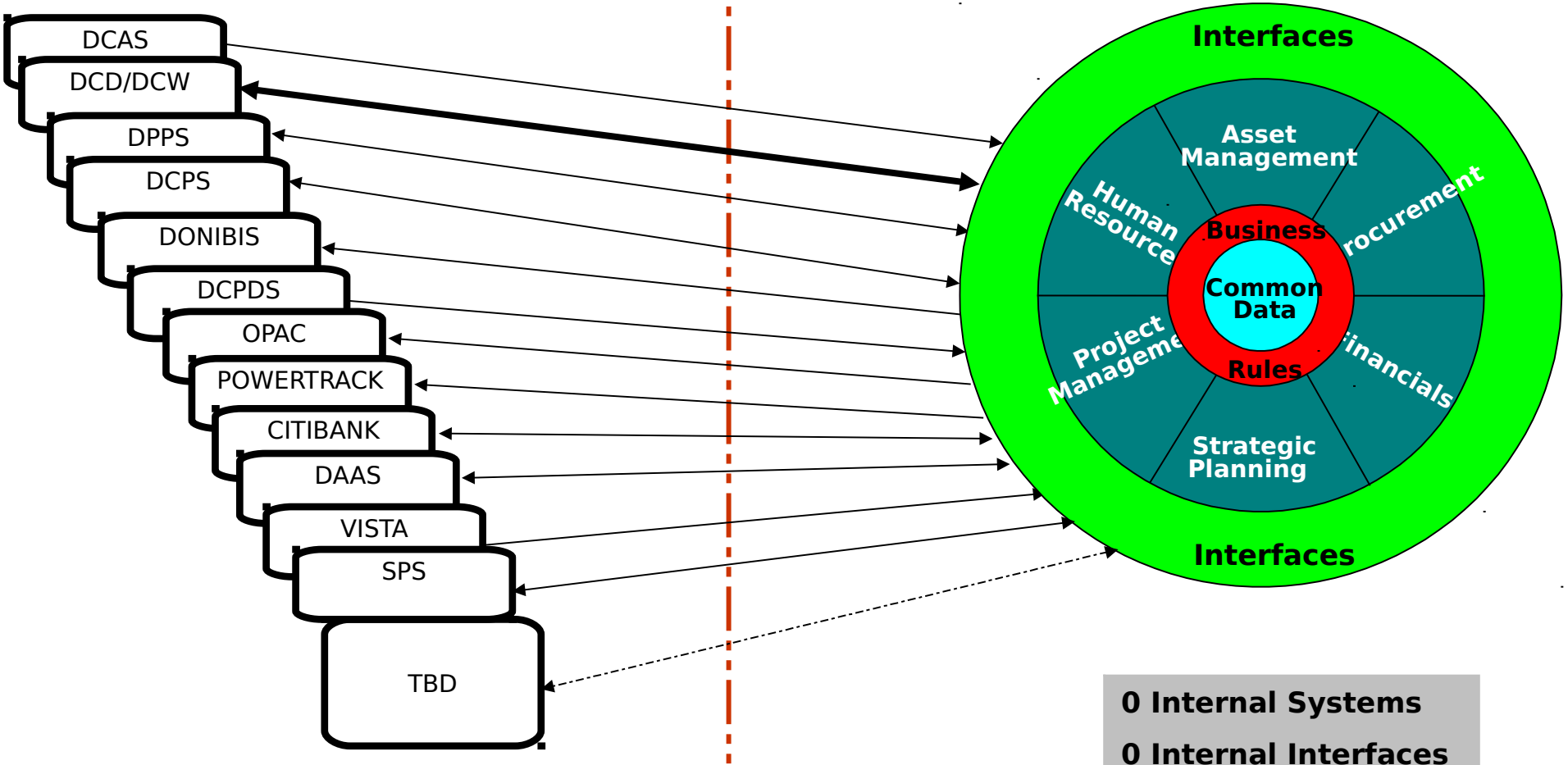


PROJECT CABRILLO

END STATE VIEW

13 External Systems

11 External Interfaces



0 Internal Systems

0 Internal Interfaces

PROJECT DESCRIPTION

- **Core Business Functional Areas**
  - Financial Management
    - **All financial activities including budgets, funds management, billings, payables, reporting and employee data**
  - Procurement Management
    - **All buying activities for MRO items, from issuing PO, receipt of goods and processing vendor invoices**
  - Asset Management
    - **Includes both real property and improvements. Tracks all assets from acquisition to disposal.**
  - Project / Program Management
    - **Fully integrated project management system that ties together project management tools with finance, budgeting, procurement and asset management data**
  - Strategic Management
    - **Planning and budgeting tool for both annual and long range planning. Will build upon annual budgeting / planning needs to develop a long range orientation for SSC-SD.**

Naval Supply Systems Command
Naval Air Systems Command

Supply Maintenance Aviation Reengineering Team

SMART OVERVIEW

- **Jointly sponsored by NAVSUP and NAVAIR**
  - Phase I Study. . . Phase II Pilot. . . Phase III Enterprise Roll-out
- **E-2C Hawkeye I-Level maintenance with NALCOMIS OOMA and Depot interfaces**
  - E-2C Airframe, components (not including T-56 engine)
  - Activities. . . VAW-120, AIMD/ASD Norfolk, FISC Norfolk / San Diego, NADEP North Island
- **LM-2500 Gas Turbine Engine (interfaces to D-Level maintenance)**
  - Modules and components
  - Activities. . . NADEP North Island

Guiding Principles

1. ★Design For Success!
2. ★Integrate Processes… This Is A Joint Maintenance and Supply Effort
3. Create Significant Positive Change
4. Enter Data Once… At Its Source
5. Make No Changes to COTS Code
6. Simplify Operations For End Users
7. Expect Improved Readiness, Fewer Legacy Systems and Reduced Total Ownership Cost

SMART Organization

NAVAIR Management

Executive Advisory Group

Configuration Control Board

Program Management Office

Program Control

Change Leadership

Business Case Analysis

Pilot Integration

Supply Chain

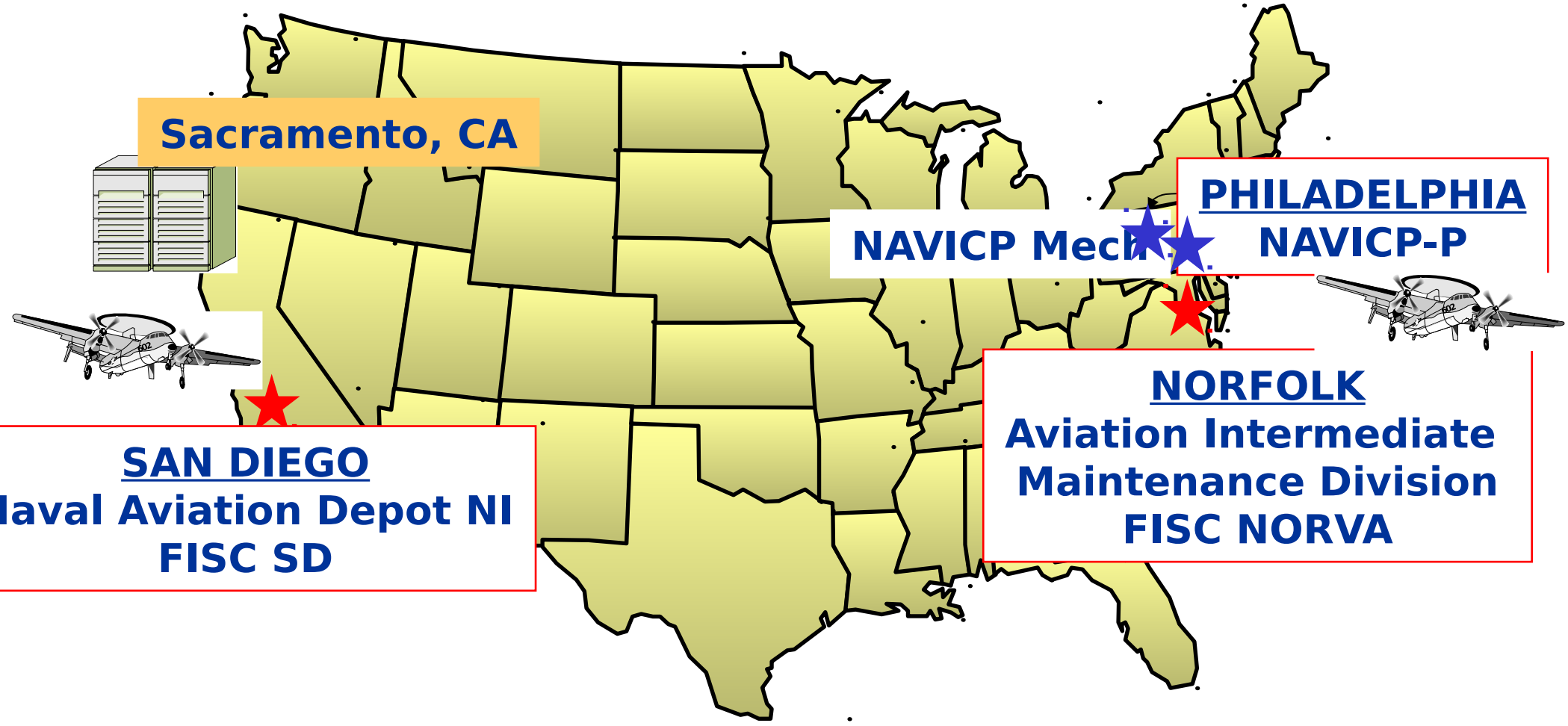
Maintenance

Finance

Technical

Extended Team Members as Required

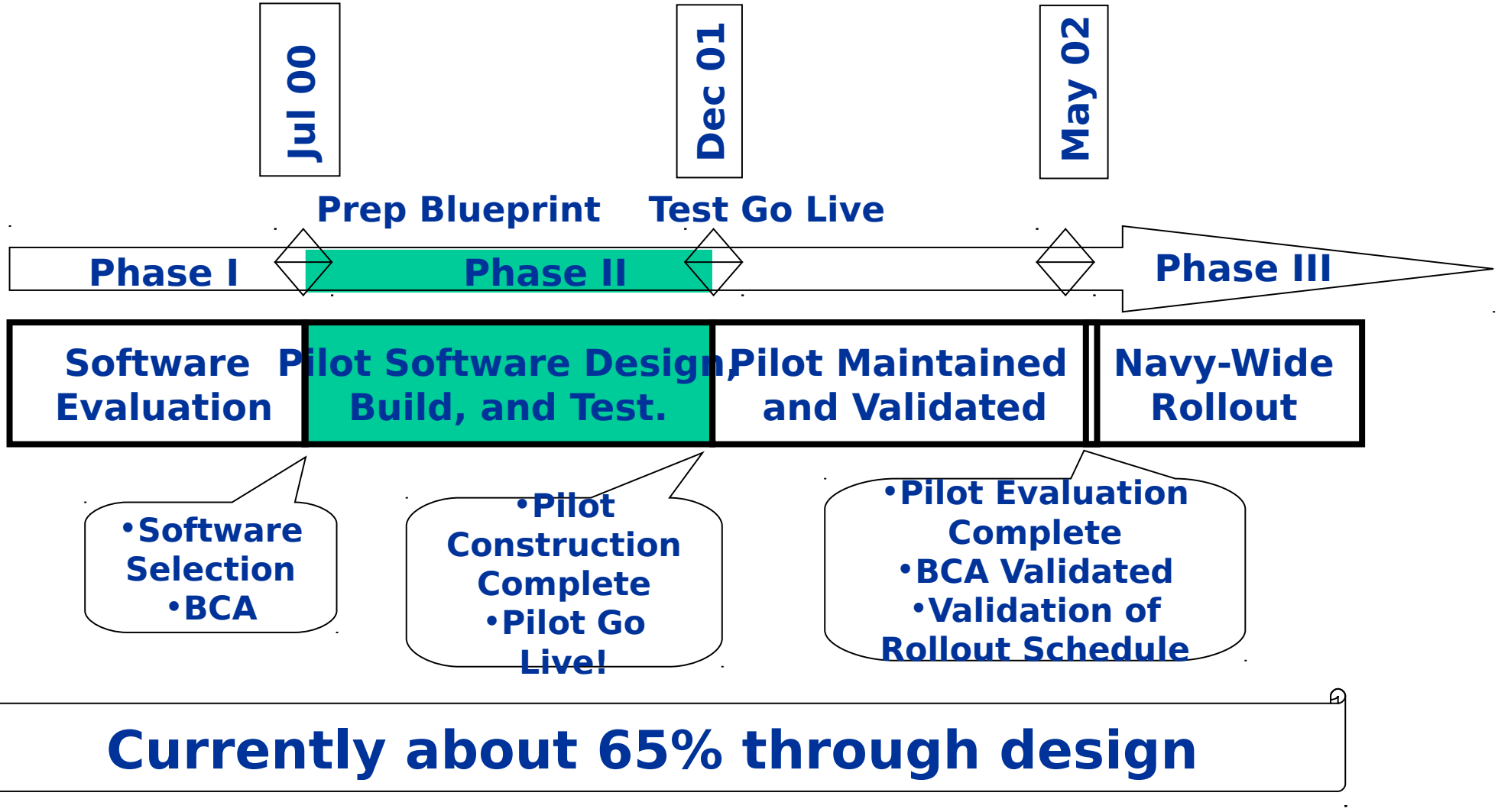
Phase II Locations



NAVICP= Naval Inventory Control Point

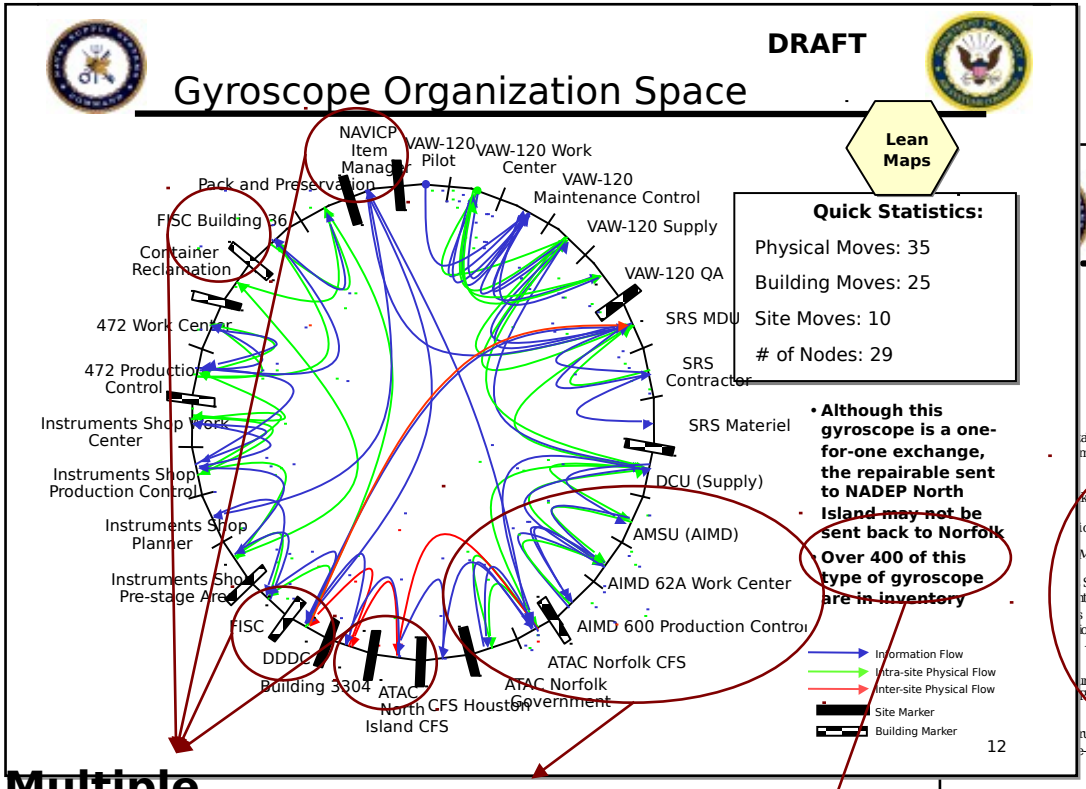
FISC= Fleet Industrial Support Center

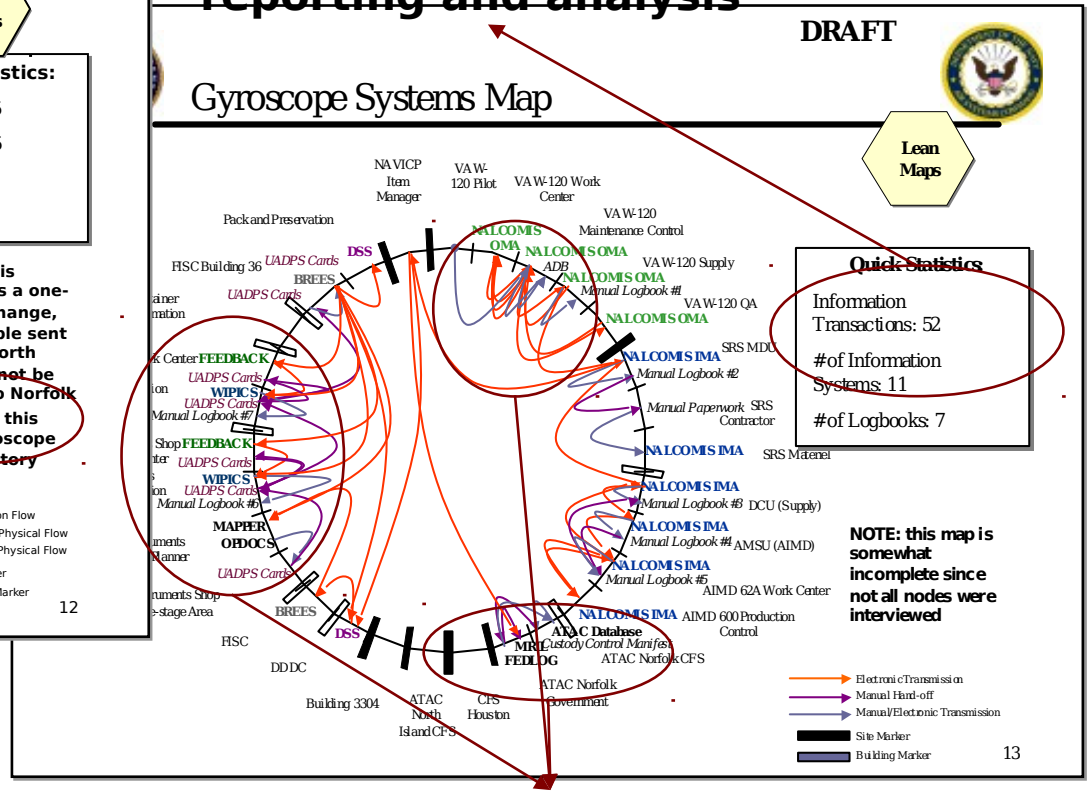
SMART Timeline



Currently about 65% through design

WHERE WE'VE BEEN . . .
LEAN MAPPING





Lack of timely, accessible information for reporting and analysis

Multiple organizations involved in the same process reduces accountability

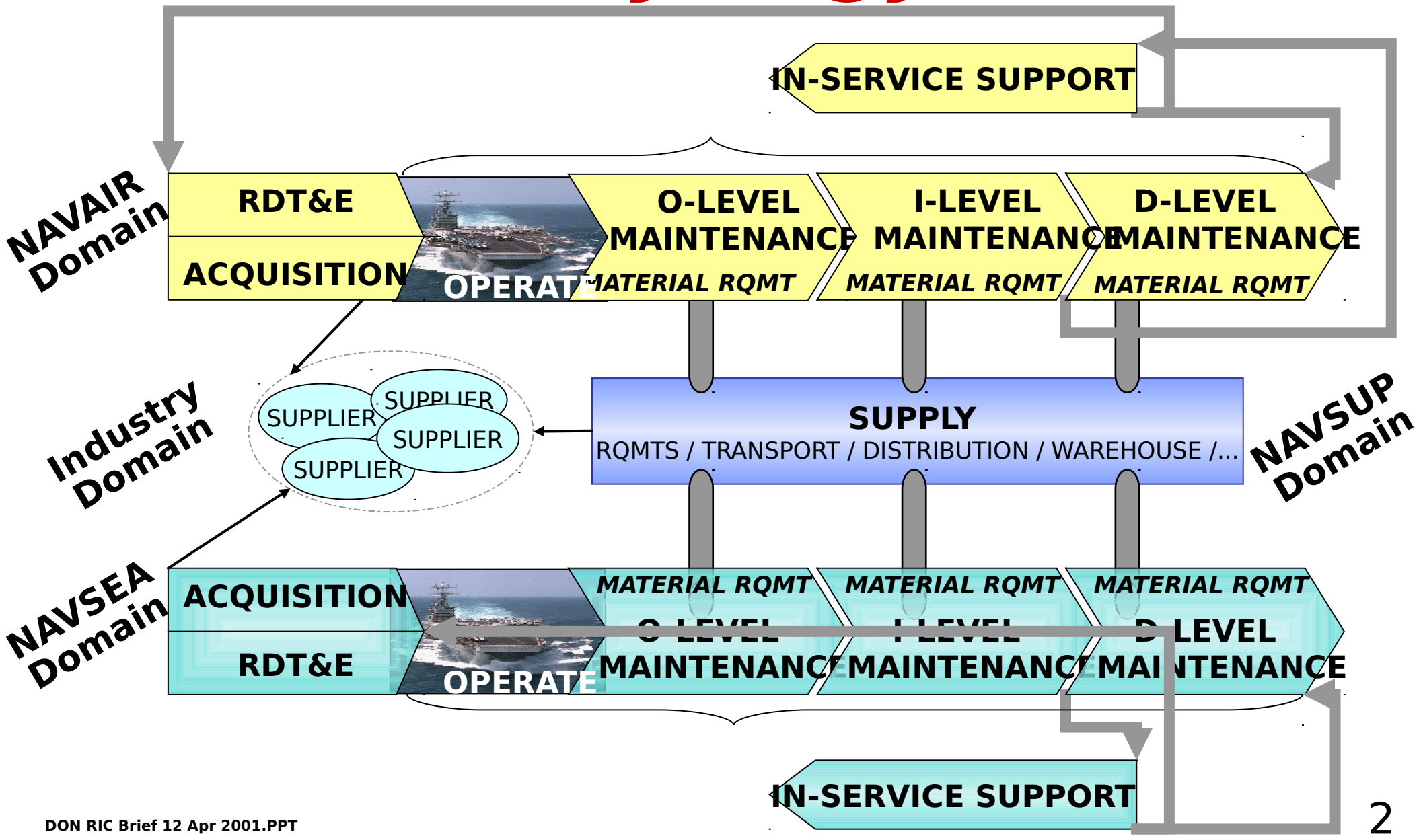
Long cycle times due to multiple hand-offs

High inventory levels

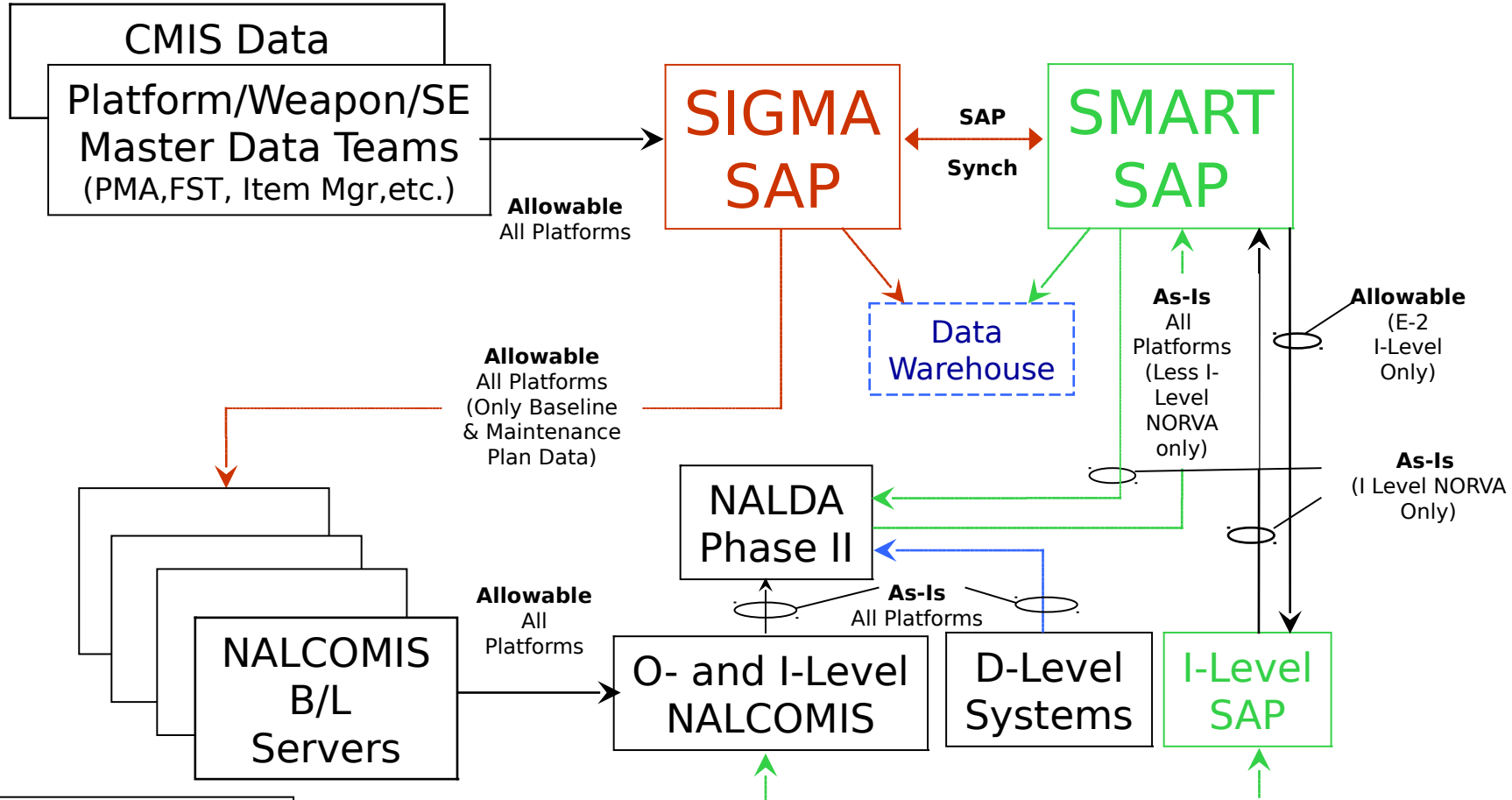
Lack of visibility into asset status or configuration

Stakeholders must deal with process complexity and competing organizational objectives

The Road Ahead …Cross Pilot Synergy



EXAMPLE: INTEGRATED AVIATION CONFIGURATION MANAGEMENT



NAVAL AVIATION SYSTEMS

Sigma Project

Bringing the NAVAIR TEAM together through ΣRP

NAVAL AVIATION SYSTEMS
Sigma Project
Bringing the NAVAIR TEAM together through ΣRP

PROGRAM MANAGEMENT PILOT SUMMARY

- **Program Management Functional requirements:**
  - Planning and Scheduling
  - Financial Management
  - Human Resource Management
  - Configuration Management / Asset Tracking
  - Limited Procurement
- **NAVAIR business processes will be reengineered within the bounds of SAP's best commercial practices**
- **Best practices, not current practices, will be implemented**
- **The SAP software will be implemented with no**

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WHAT WILL THE PILOT PROVE?

- ***Ability*** **for program managers** ***to budget, plan, track execution, and measure performance*** **across the TEAM**
- ***Ability*** **to** ***track configuration*** **and** ***assets*** **across the Navy**
- ***Better cost visibility*** **and more agile execution**
- ***Ability*** **to** ***track financial execution*** **across the general fund and NWCF**
- ***Document*** **tracking for** ***milestone decision preparation*** **(i.e. APB,ORD, MNS, TEMP etc.)**
- **Fixed assets management (depreciation for NWCF)**
- **Ability for** ***management*** **to** ***roll up financial performance*** **and** ***asset visibility***
- **Ability to** ***order MILSTRIP***
- **Ability for** ***planning work, capacity loading,*** **and** ***schedules with the Competencies*** **(workforce planning out of HR module; TBD)**
- **Supports** ***Employee self-service*** **(Locator, RED info , Etc.)**
- **Reduces** ***turn around time for time sheet adjustments***
- **Verifies that the three company code structure supports the team financial requirements**

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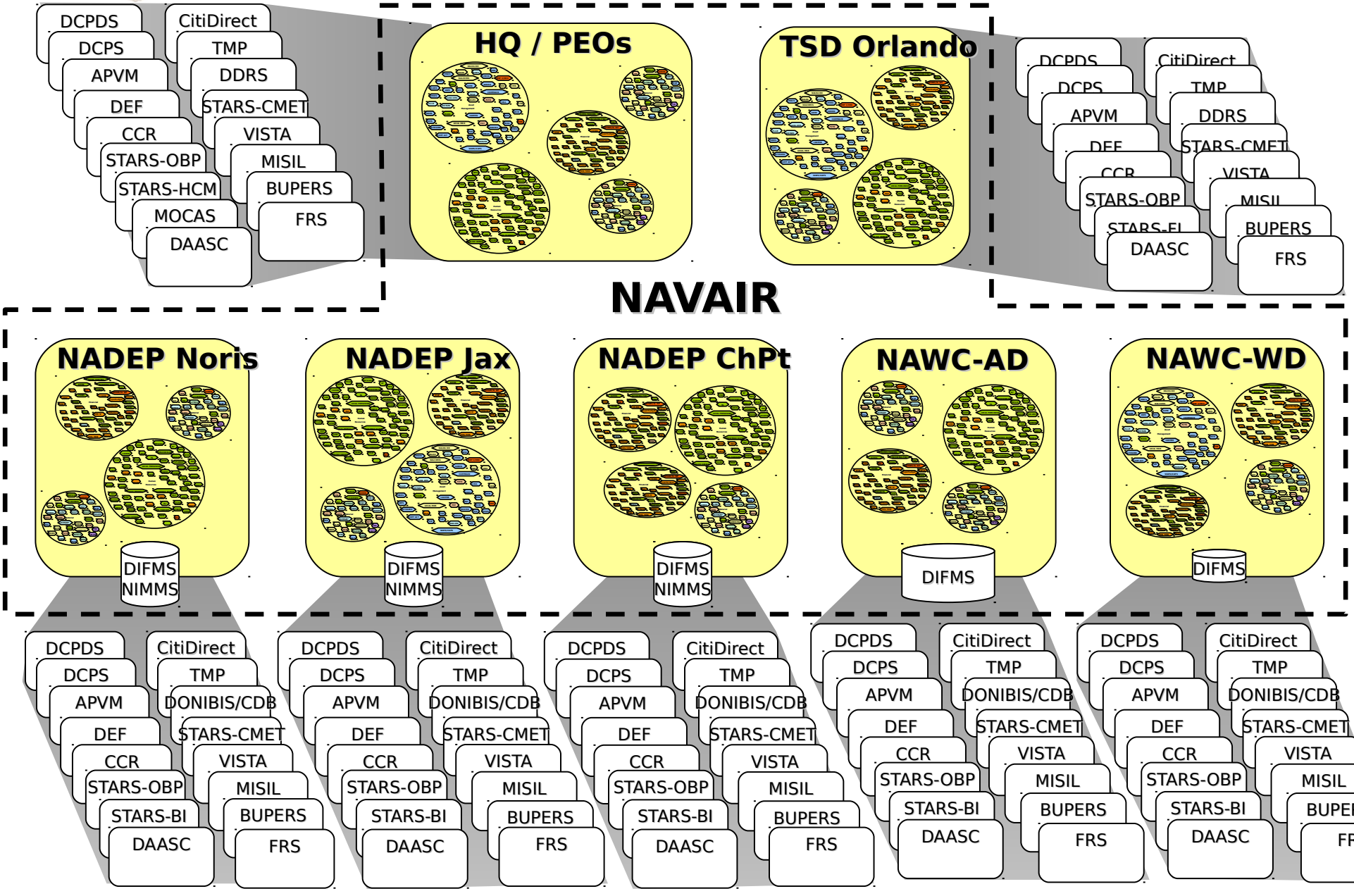
NAVAIR "AS IS" BUSINESS SYSTEMS



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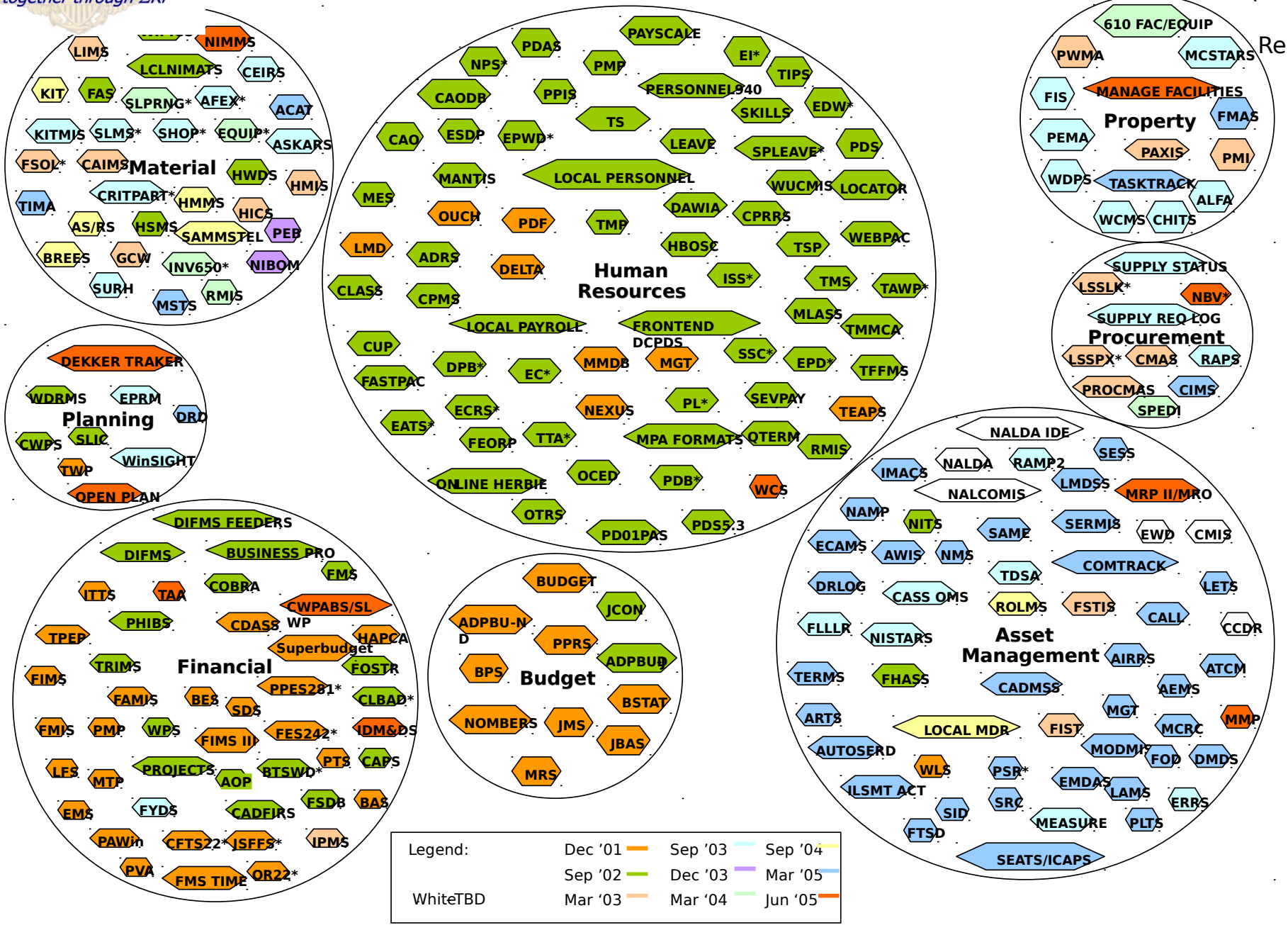
NAVAIR LEGACY SYSTEM RETIREMENT MAP

(Notional ERP Related)



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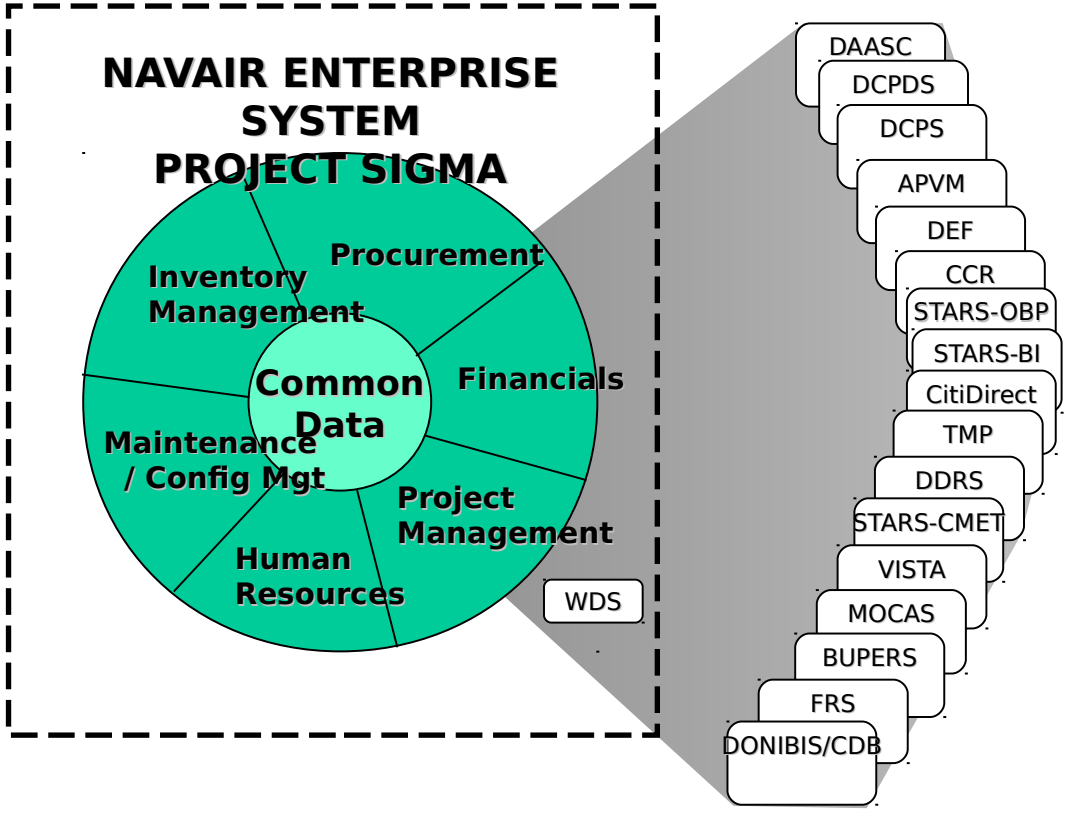
NAVAIR "TO BE" BUSINESS SYSTEMS



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PILOT IMPLEMENTATION METHODOLOGY

We are here

Project Preparation

Feb '00 – Apr '00

- ✔ Kick-Off Meeting
- ✔ Define Objective & Success Criteria
- ✔ Finalize Project Infrastructure
- ✔ Plan Technical Strategies
- ✔ Develop Technical Strategies
- ✔ Mobilize Project Team
- ✔ Conduct Project Team
- ✔ Milestone Review

Business Blueprint

Apr '00 – Jul '00

- ✔ Establish Technical Environment
- ✔ Conduct Project Team Training
- ✔ Prepare Development Environment
- ✔ Define Business Processes
- ✔ Prepare for Design
- ✔ Define High Level Business Requirements
- ✔ Finalize Project Scope
- ✔ Finalize Detailed Project Plans

Realization

Jul '00 – Nov '00

- ✔ Perform Configuration Training
- ✔ Customize Baseline Configuration
- ✔ Design and Customize Final Configuration
- ● Design and Construct Conversions, Interfaces, Enhancements, Reports, Security
- ✔ Milestone Review

Pilot Integration Testing and Demonstration

Nov '00 – Apr '01

- ✔ Prepare for Integration Testing
- ● Conduct Integration Testing
- ■ Conduct Volume and Stress Testing
- ■ Perform End User Training
- ■ Milestone Review

■ Future Task
✔ Complete
● In Progress

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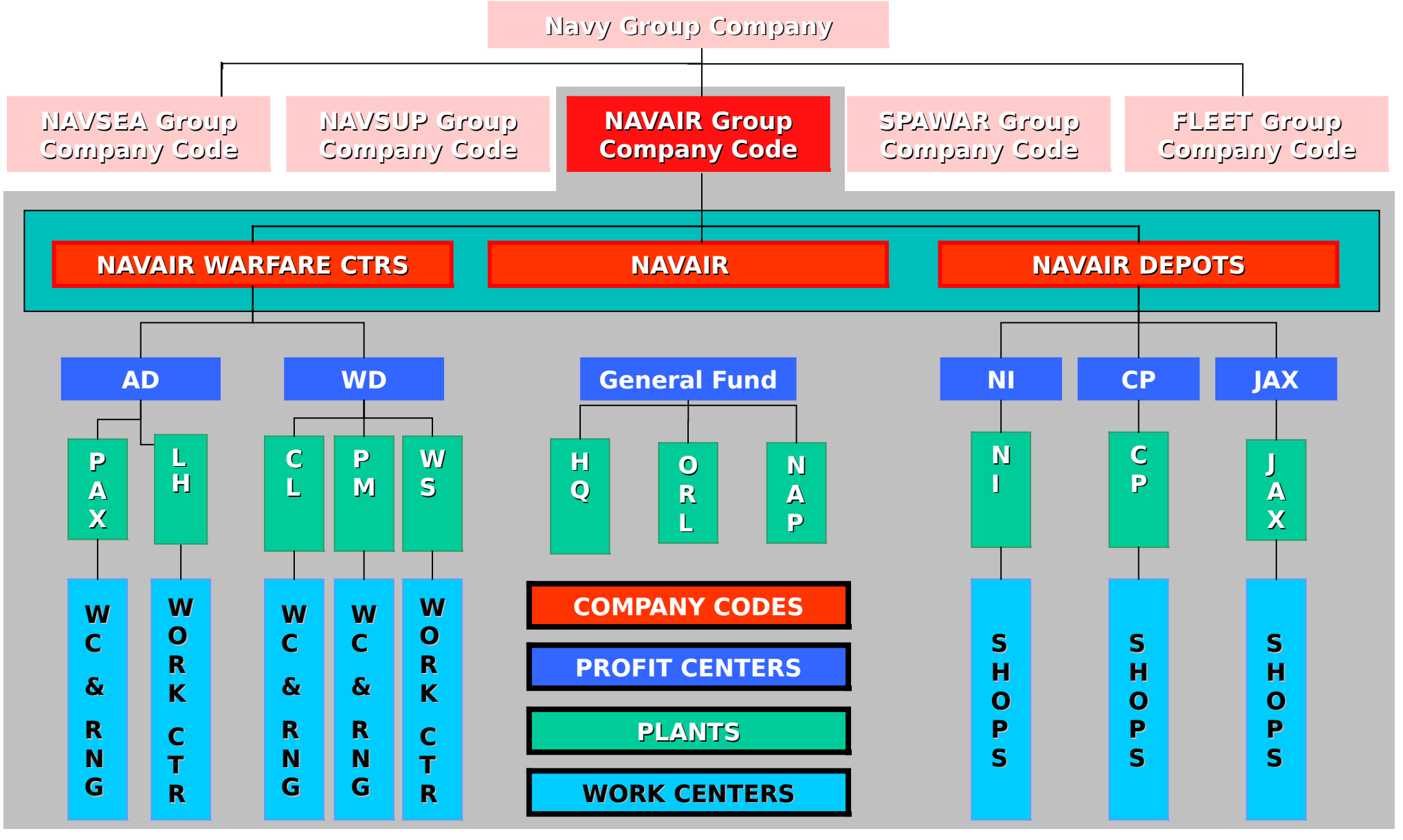
BUSINESS & FINANCIAL ORGANIZATIONAL STRUCTURE



Regional Maintenance ERP

(NEMAIS)

A Joint Fleet – NAVSEA Initiative

Why Are We Pursuing ERP?

Achieve. . .

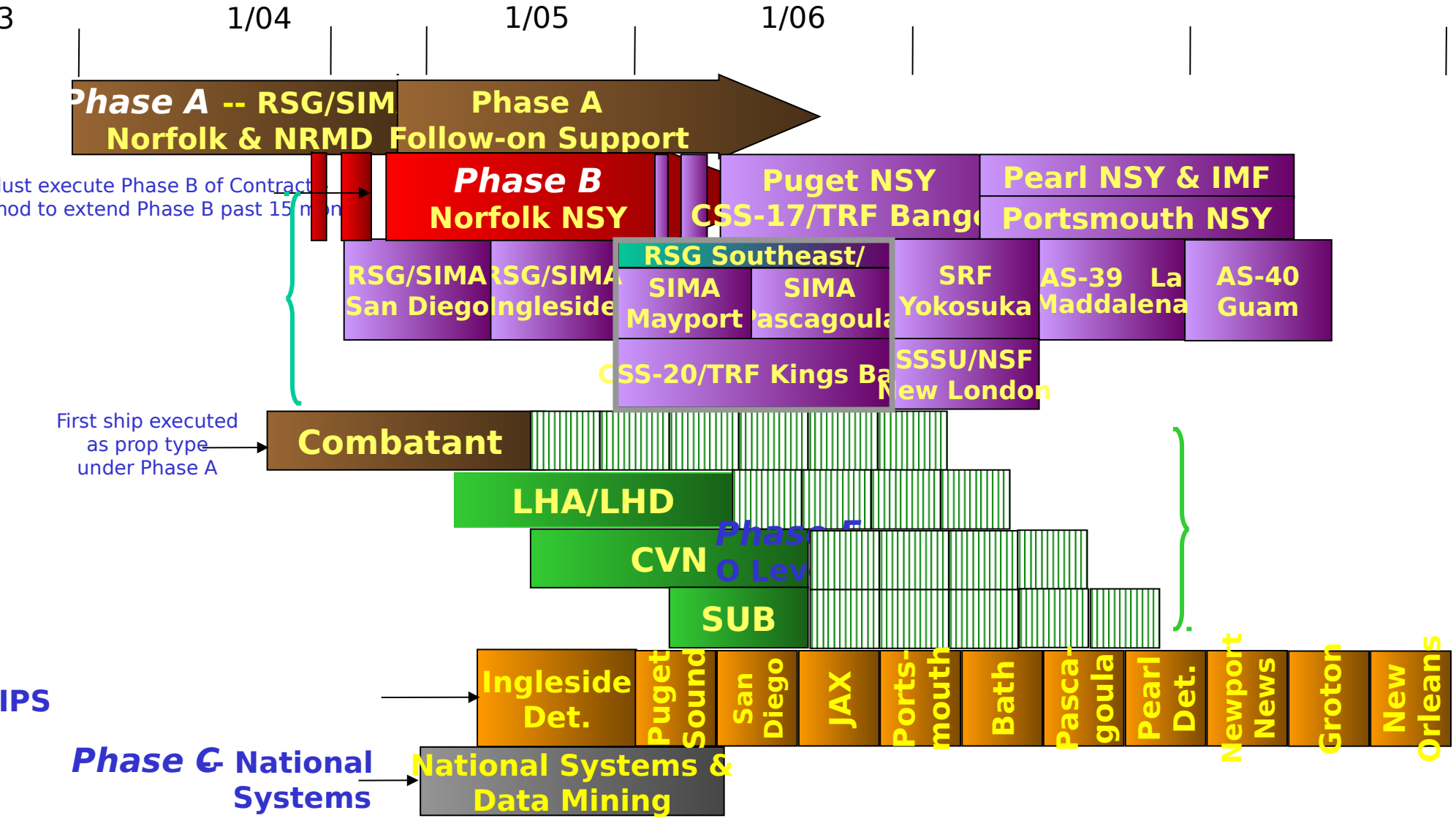
CNO Priorities

- **Manpower**
- **Current Readiness**
- **Future Readiness**
- **Quality of Service**
- **Navy Wide Alignment**

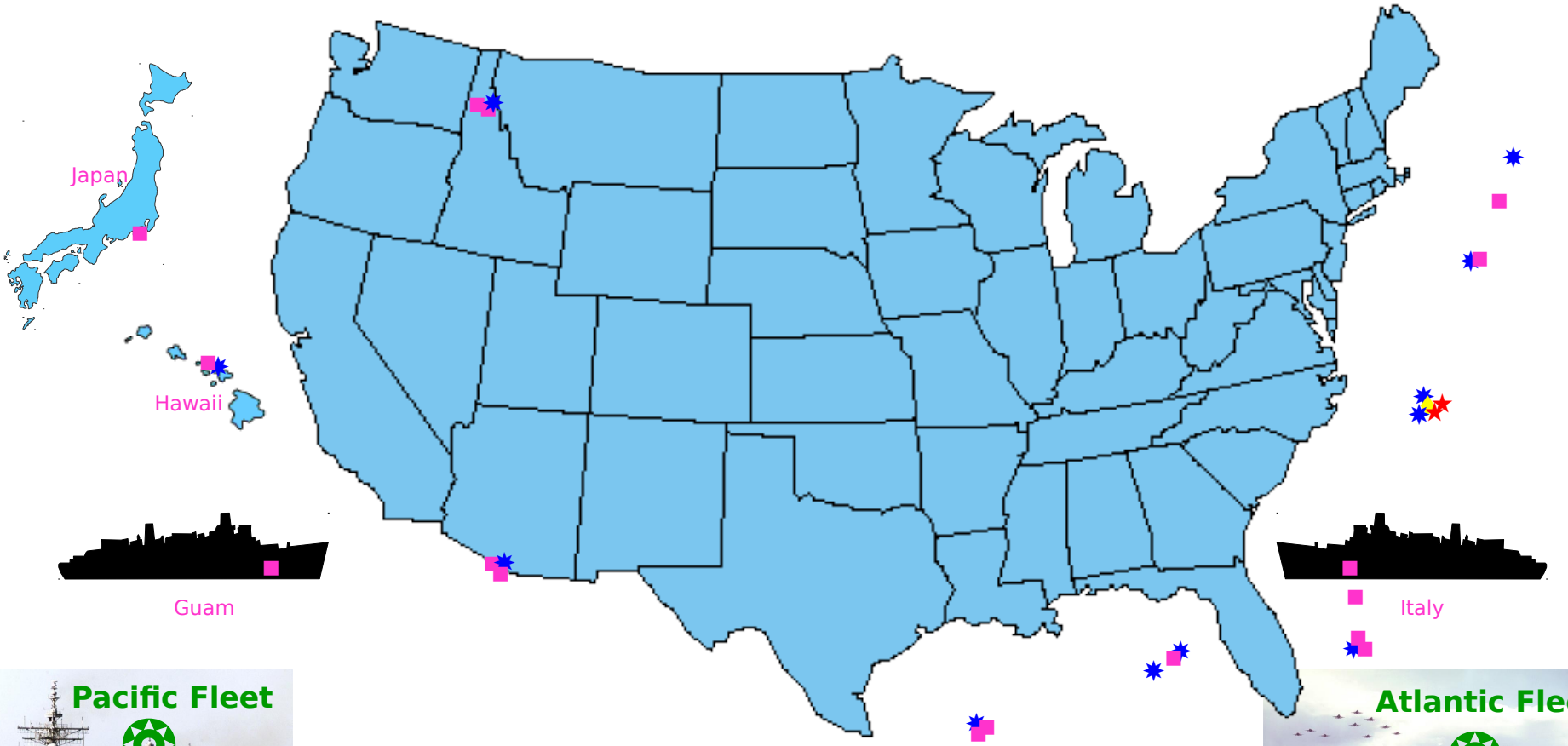
By . . .

- Providing Timely and Rapid Access to Information and Readiness metrics
- Supporting Total Asset Visibility
- Enhancing the Planning & Scheduling Process
- Providing Better Decision Making Tools
- Reducing the Total Cost of Ownership
- Minimizing & Simplifying Data Collection
- Common processes across the enterprise

Schedule: Notional Deployment



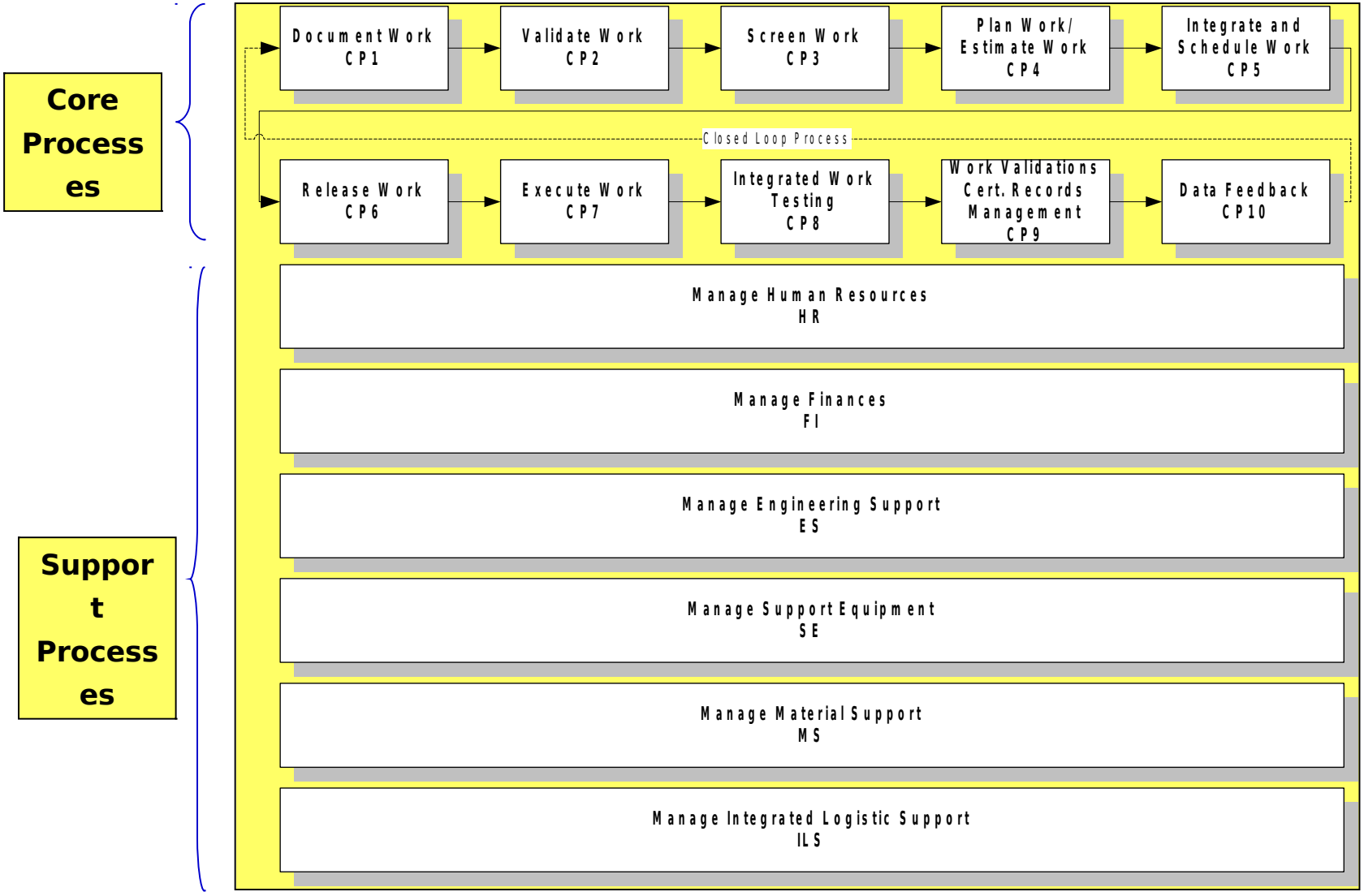
NEMAIS Deployment Phase & Location



Stakeholder/ Process Owner Community

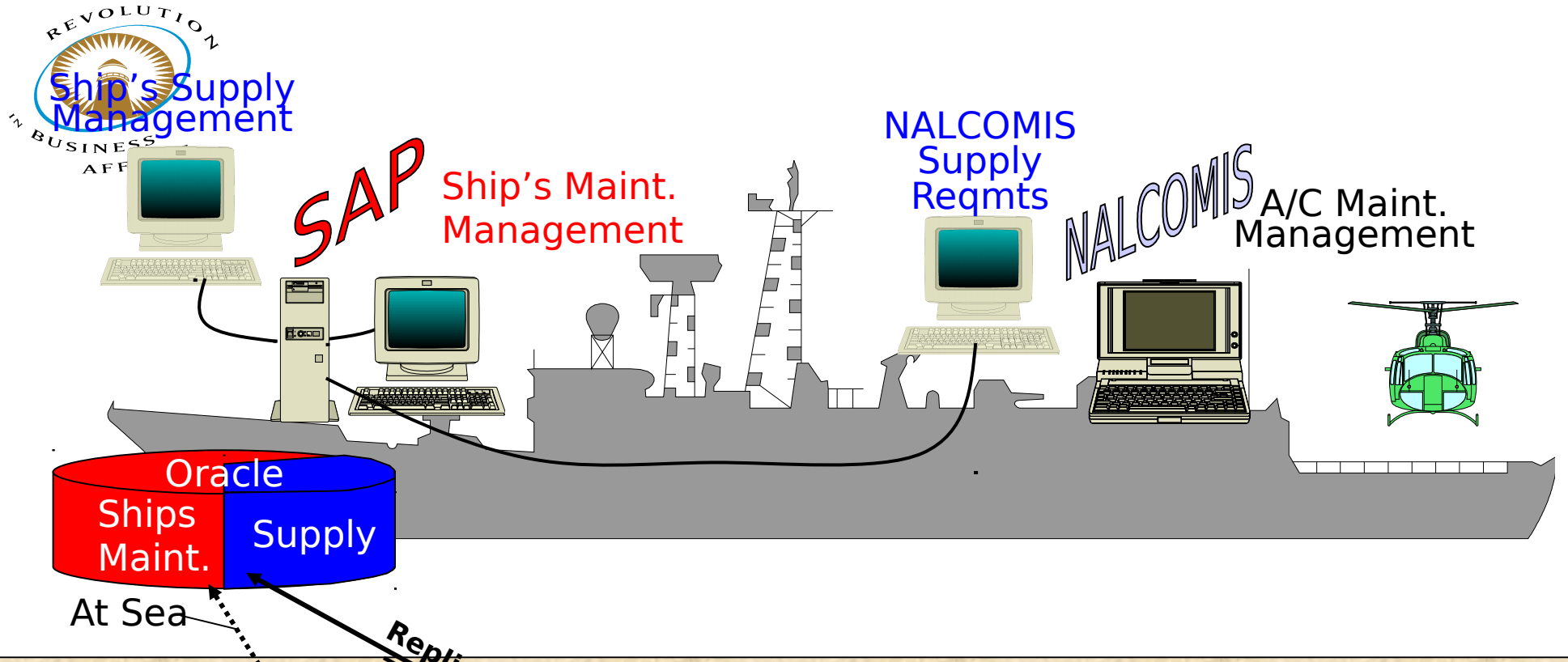
- On-Site Members – 99 (1-26-01)
  - NAVSEA
    - Naval Shipyards – PSNSY, NNSY, PNSY
    - SUPSHIPs
    - Sealog
    - CDAs
  - Fleets
    - CPF N43, SIMA SD, TRF Bangor
    - CLF N43, SIMA Norfolk, RSG Norfolk, TYCOM, FTSCLANT
  - Other Communities
    - National Unions
    - CNET
    - SPAWAR SSC
    - NAVSUP
- Off –Site and Subject Matter Experts - 208

Navy Maintenance Defined (BUS 01)



Process Definitions

Document Work CP1	Document maintenance requirement	**Release Work CP6**	Complete all prerequisites prior to starting a work procedure
Validate Work CP2	Validate the accuracy content and need of work notification	**Execute Work CP7**	Perform work task in accordance with an authorized work document
Screen Work CP3	Coordinate, combine, prioritize and assign work	**Integrated Work Testing CP8**	Test system integrity and operational performance after completion of work task(s) involving a system or related group of systems
Plan Work and Estimate Work CP4	Provide detailed strategies and initiatives that will govern the accomplishment of work procedures	**Work Validation/ Certification Records Management CP9**	Perform QA and archive work and test documents
Integrate & Schedule Work CP5	Arrange availability work tasks and testing in logical order in time sequence and identify manpower resource requirements	**Data Feedback CP10**	Evaluate and act on maintenance data


Ship's Supply Management
SAP
Ship's Maint. Management
NALCOMIS Supply Reqmts
NALCOMIS
A/C Maint. Management
Oracle
Ships Maint.
Supply
At Sea
Replication of Transactions
Replication of Transactions
In-port
Shore Based Activities
Oracle
Ships Maint.
Supply
ISEA - Equip. Monitoring
CNO – Maintenance Reqt.s
FMO – Maintenance Metrics
Engineer - Assessments
Shore Based Central Data Base
CNOM – Maint & Modern Mgt

NAVY ENTERPRISE MAINTENANCE

Improve Combat Readiness

Improve Sailor Working Conditions

Reduce Life Cycle Cost

By . . .

- **Providing timely and rapid access to information**
- **Supporting total asset visibility**
- **Enhancing the planning and scheduling process**
- **Providing better decision making tools**
- **Reducing the total cost of ownership**
- **Minimizing and simplifying data collection**

SCHEDULES

ICB Members

Ms. Iona Evans
ERP Corporate Executive
Naval Sea Systems Command

Mr. Mike Petz
Program Manager - NETS
Naval Sea Systems Command

Mr. Dennis Distler
Enterprise Solutions Program Office (ESPO) Executive Director
Naval Air Systems Command

Mr. Kevin Fitzpatrick
Co-Program Manager - SMART
Naval Supply Systems Command

Mr. Edward Chermansky (Acting)
Co-Program Manager - SMART
Naval Air Systems Command

Mr. Rick Pierson
Program Manager - CABRILLO
SPAWAR Systems Center - San Diego

ICB Staff

Mr. Greg Huntington
ESPO - SIGMA
Naval Air Systems Command

Mr. Stan Beiter
SMART
Naval Supply Systems Command

Mr. Dave Noble
ERP Corporate Office
Naval Sea Systems Command

Ms. Gale Pennoyer
CABRILLO
SPAWAR Systems Center - San Diego

Integration and Coordination Board (ICB)

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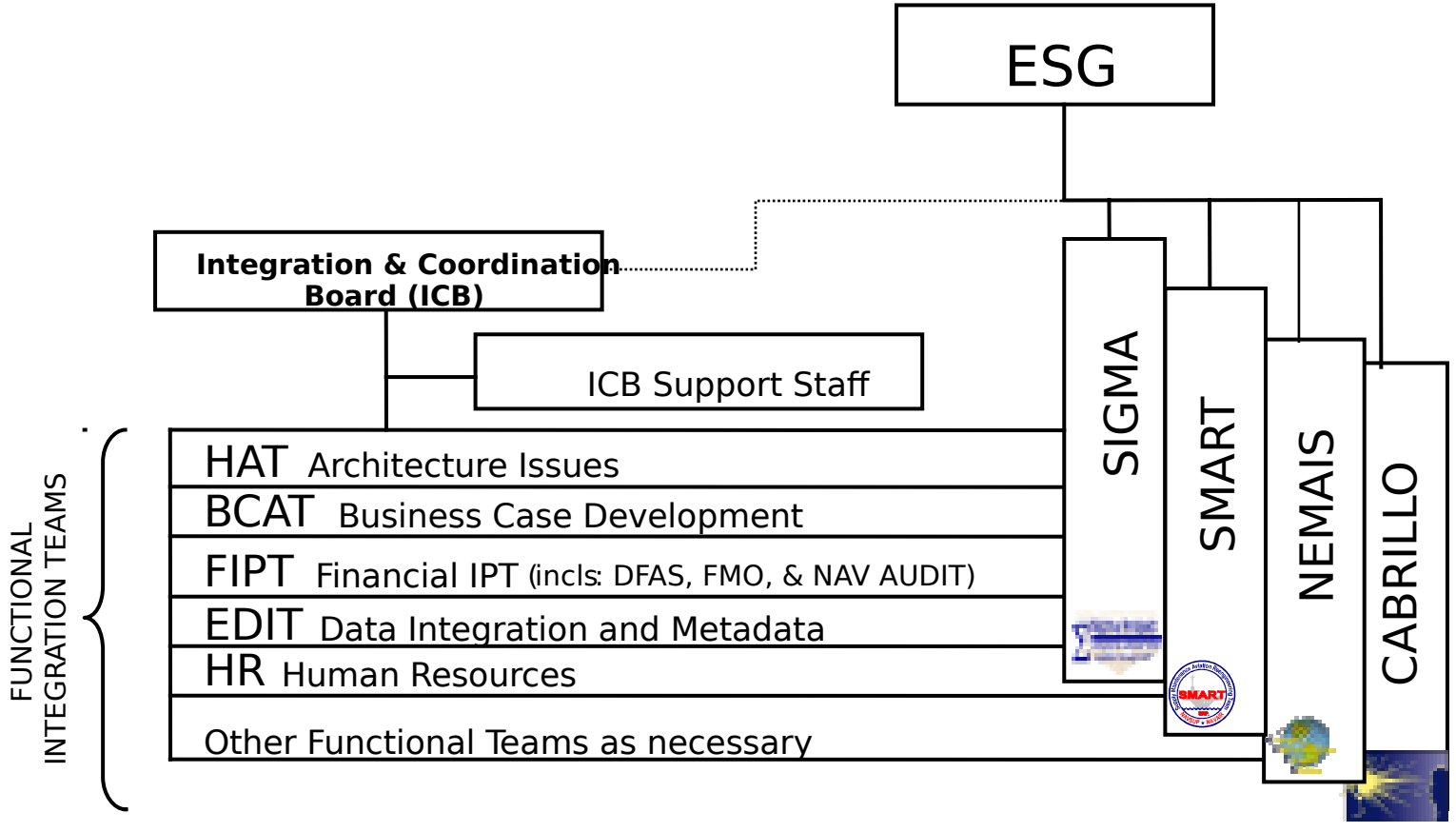
Supply Maintenance Aviation Reengineering Team
SMART
ERP
NAVSUP ★ NAVAIR

Navy Enterprise Team Ships

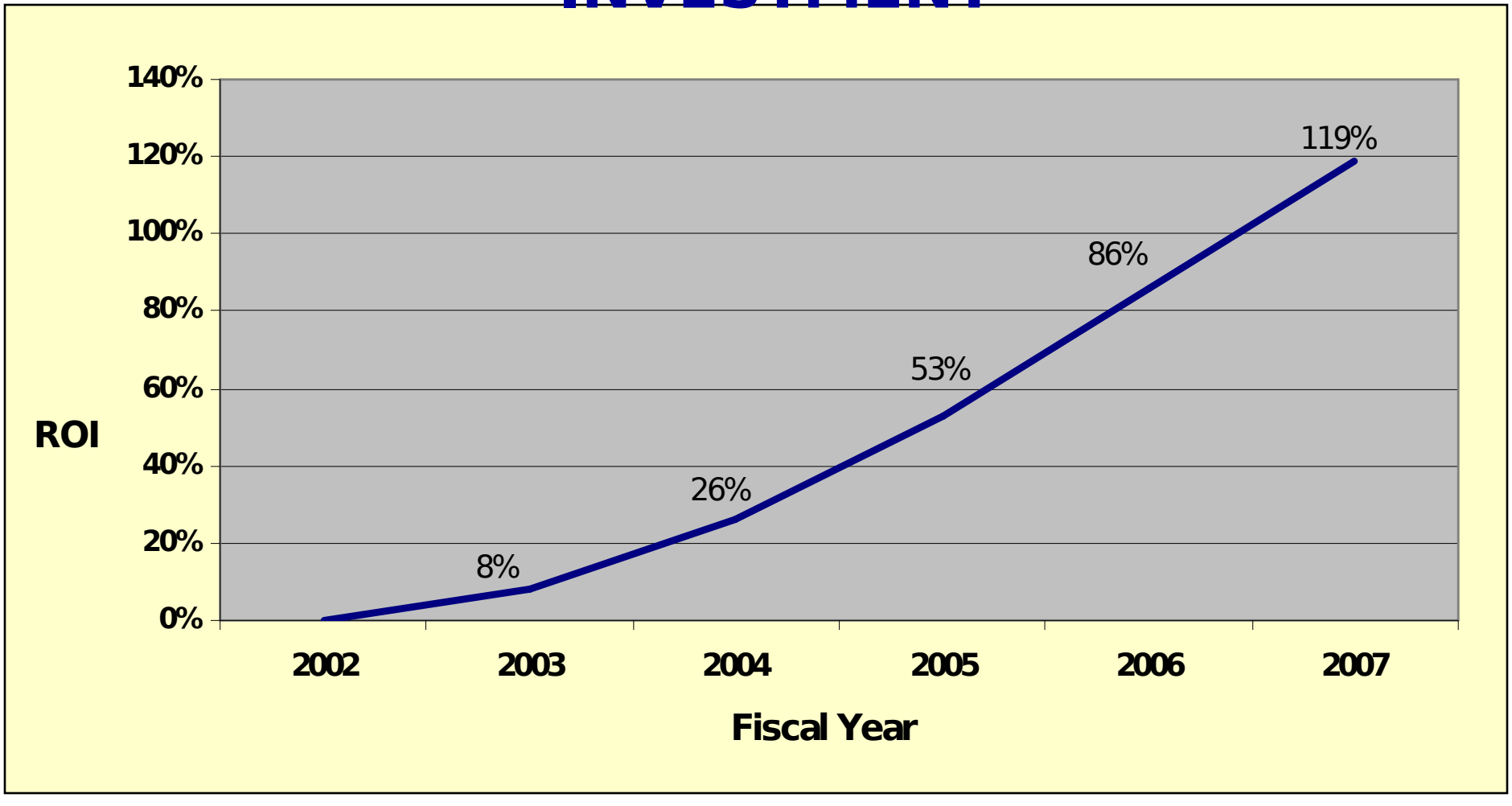
PROJECT CABRILLO

ICB INTEGRATION TEAM STRUCTURE



COST - BENEFIT ANALYSIS

EXAMPLE:
NAVAIR ERP FY02 - FY07 RETURN ON INVESTMENT



Initial baseline return on investment and payback savings

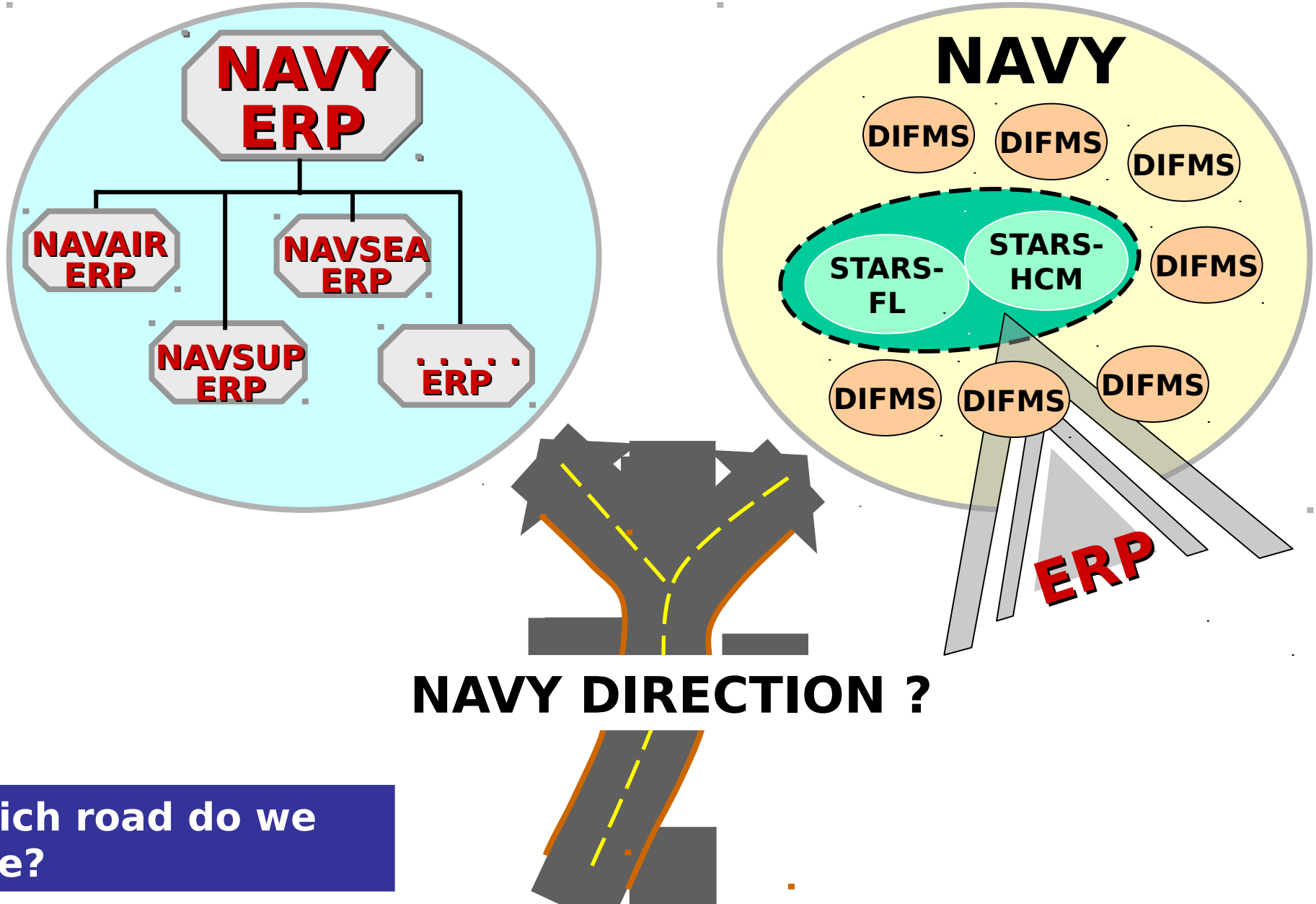
ERP ANTICIPATED ENTERPRISE-WIDE BENEFITS

- **Lower information technology expense**
- **Improve financial management**
- **Improve inventory management**
- **Increase labor efficiency**
- **Improve data integrity**
- **Increase readiness**
- **Enable regional maintenance**

INDUSTRY LESSONS LEARNED - - ONES WE ARE WATCHING CLOSELY

- **Inadequate sponsorship**
- **Poor / slow decision making**
- **Poor / no scope definition**
- **Lack of cooperation between business areas / departments**
- **Poor use of consultants**
- **Inappropriate resources**
- **Unrealistic expectations**
- **Inadequate knowledge transfer to employees**
- **Poor project management**

THE CHALLENGE AHEAD



Which road do we take?